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**LOUISIANA RESOURCE CENTER FOR EDUCATORS**

**FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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A Professional Accounting Corporation

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**LOUISIANA RESOURCE CENTER FOR EDUCATORS**

**FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Louisiana Resource Center for Educators  
Baton Rouge, Louisiana

**Report on the Financial Statements**

We have audited the accompanying financial statements of Louisiana Resource Center for Educators (the Organization) which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Resource Center for Educators as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information, on pages 20 through 25, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information presented is fairly stated in all material respects in relation to the financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 19, 2014, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
November 19, 2014

**LOUISIANA RESOURCE CENTER FOR EDUCATORS**  
**BATON ROUGE, LOUISIANA**

**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2014 AND 2013**

**ASSETS**

	<u>2014</u>	<u>2013</u>
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	\$ 374,265	\$ 480,279
Cash and cash equivalents - restricted	107,144	82,417
Dues and other receivables	291,575	272,980
Promises to give	25,100	32,100
Inventory	867	4,146
Prepaid expenses and other assets	31,671	65,729
Total current assets	<u>830,622</u>	<u>937,651</u>
<b><u>PROPERTY AND EQUIPMENT</u></b>		
Leasehold improvements	-	106,538
Furniture and equipment	915,054	942,995
Software	3,357	3,357
Building and improvements	3,581,824	3,484,804
Library	76,945	76,945
	<u>4,577,180</u>	<u>4,614,639</u>
Less: accumulated depreciation	(1,414,609)	(1,306,628)
Net property and equipment	<u>3,162,571</u>	<u>3,308,011</u>
 Total Assets	 <u>\$ 3,993,193</u>	 <u>\$ 4,245,662</u>

**LIABILITIES AND NET ASSETS**

<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable	\$ 66,931	\$ 75,896
Other liabilities	346,894	380,952
Notes payable, current portion	117,057	113,062
Total current liabilities	<u>530,882</u>	<u>569,910</u>
Notes payable, non-current portion	2,273,815	2,389,375
 Total Liabilities	 <u>2,804,697</u>	 <u>2,959,285</u>
<b><u>NET ASSETS</u></b>		
Unrestricted	1,174,072	1,236,846
Temporarily restricted	14,424	49,531
Total net assets	<u>1,188,496</u>	<u>1,286,377</u>
 Total Liabilities and Net Assets	 <u>\$ 3,993,193</u>	 <u>\$ 4,245,662</u>

The accompanying notes are an integral part of these statements.

**LOUISIANA RESOURCE CENTER FOR EDUCATORS**  
**BATON ROUGE, LOUISIANA**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	2014		
	Unrestricted	Temporarily Restricted	Total
<b><u>SUPPORT AND REVENUE:</u></b>			
Contributions	\$ 522,486	\$ 136,567	\$ 659,053
Grants from governmental agency	121,617	-	121,617
Minimum foundation program	2,706,952	-	2,706,952
Program service fees	743,880	-	743,880
Interest revenue	236	-	236
Miscellaneous	47,073	-	47,073
Total support and revenue	4,142,244	136,567	4,278,811
Net assets released from purpose restriction	171,674	(171,674)	-
Total revenue and other support	4,313,918	(35,107)	4,278,811
<b><u>EXPENSES:</u></b>			
Program services	3,385,152	-	3,385,152
Management and general	939,093	-	939,093
Fundraising	52,447	-	52,447
Total expenses	4,376,692	-	4,376,692
<b>Changes in net assets</b>	(62,774)	(35,107)	(97,881)
Net assets - beginning of year	1,236,846	49,531	1,286,377
Net assets - end of year	\$ 1,174,072	\$ 14,424	\$ 1,188,496

The accompanying notes are an integral part of these statements.

2013

Unrestricted	Temporarily Restricted	Total
\$ 347,910	\$ 191,415	\$ 539,325
189,839	-	189,839
2,206,296	-	2,206,296
769,142	-	769,142
994	-	994
58,959	-	58,959
3,573,140	191,415	3,764,555
333,498	(333,498)	-
3,906,638	(142,083)	3,764,555
3,429,913	-	3,429,913
839,993	-	839,993
53,825	-	53,825
4,323,731	-	4,323,731
(417,093)	(142,083)	(559,176)
1,653,939	191,614	1,845,553
\$ 1,236,846	\$ 49,531	\$ 1,286,377



**LOUISIANA RESOURCE CENTER FOR EDUCATORS**  
**BATON ROUGE, LOUISIANA**

**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	2014			
	Program Services	Management and General	Fundraising	Total
Adjunct faculty and presenters	\$ 238,571	\$ -	\$ -	\$ 238,571
Advertising	3,687	-	1,839	5,526
Bad debt expense	-	16,587	-	16,587
Bank charges	5,512	2,840	-	8,352
Depreciation and amortization	147,825	35,809	-	183,634
Development of online material	11,591	-	-	11,591
Dues and subscriptions	14,251	2,486	-	16,737
Employee training	14,456	3,807	-	18,263
Food services	92,464	-	-	92,464
In-kind expenses	-	17,000	-	17,000
Insurance	26,496	29,372	-	55,868
Interest	63,458	32,690	-	96,148
Library expenses	47,127	-	-	47,127
Loss on disposal of assets	-	60,296	-	60,296
Miscellaneous	36,523	11,564	-	48,087
Moving	-	-	-	-
Postage	19,130	1,357	1,357	21,844
Printing	8,714	3,751	3,751	16,216
Professional services	171,483	80,180	-	251,663
Recruiting	3,498	21,640	-	25,138
Rental expense	62,967	5,634	-	68,601
Repairs and maintenance	126,591	16,976	-	143,567
Salaries and benefits	1,640,913	538,895	45,500	2,225,308
Sales tax	752	-	-	752
Software and technology	13,568	6,905	-	20,473
Materials and supplies	161,764	33,538	-	195,302
Telephone	2,453	2,370	-	4,823
Transportation	383,371	-	-	383,371
Travel	3,065	796	-	3,861
Utilities	84,922	14,600	-	99,522
	<u>\$ 3,385,152</u>	<u>\$ 939,093</u>	<u>\$ 52,447</u>	<u>\$ 4,376,692</u>

The accompanying notes are an integral part of these statements.

2013

Program Services	Management and General	Fundraising	Total
\$ 202,375	\$ -	\$ -	\$ 202,375
4,677	-	1,314	5,991
8,291	-	-	8,291
22,425	8,721	-	31,146
158,766	32,043	-	190,809
15,235	-	-	15,235
12,192	926	-	13,118
35,472	110	-	35,582
79,759	-	-	79,759
-	23,251	-	23,251
25,136	31,908	-	57,044
97,673	37,984	-	135,657
25,308	-	-	25,308
-	-	-	-
20,979	13,980	-	34,959
1,350	-	-	1,350
14,682	1,456	1,456	17,594
9,796	5,555	5,555	20,906
125,696	14,676	-	140,372
7,367	28,042	-	35,409
63,159	4,504	-	67,663
188,312	16,385	-	204,697
1,509,519	573,073	45,500	2,128,092
788	-	-	788
10,262	3,991	-	14,253
324,711	31,572	-	356,283
8,292	2,253	-	10,545
367,098	-	-	367,098
17,448	185	-	17,633
73,145	9,378	-	82,523
<u>\$ 3,429,913</u>	<u>\$ 839,993</u>	<u>\$ 53,825</u>	<u>\$ 4,323,731</u>

**LOUISIANA RESOURCE CENTER FOR EDUCATORS**  
**BATON ROUGE, LOUISIANA**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ (97,881)	\$ (559,176)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	183,634	190,809
Bad debt expense	16,587	8,291
Forgiveness of debt	(15,000)	(15,000)
Loss on disposal of leasehold improvements	60,296	-
In-kind donor contributions of capitalized building improvements	(97,020)	-
Changes in operating assets and liabilities:		
Accounts receivable	(28,682)	(122,373)
Prepaid expenses	34,058	(56,376)
Promises to give	500	32,200
Inventory	3,279	584
Accounts payable and other liabilities	(43,023)	163,916
Net cash provided by (used in) operating activities	<u>16,748</u>	<u>(357,125)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of property and equipment	(2,600)	(59,436)
Proceeds from sale of property and equipment	1,130	-
Net cash used in investing activities	<u>(1,470)</u>	<u>(59,436)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Payments on notes	(96,565)	(79,635)
Net cash used in financing activities	<u>(96,565)</u>	<u>(79,635)</u>
Net decrease in cash and cash equivalents	(81,287)	(496,196)
Cash and cash equivalents - beginning of year	562,696	1,058,892
Cash and cash equivalents - end of year	<u>\$ 481,409</u>	<u>\$ 562,696</u>
<b><u>Supplemental disclosures:</u></b>		
Cash paid during the year for interest	<u>\$ 96,205</u>	<u>\$ 136,235</u>

The accompanying notes are an integral part of these statements.

**LOUISIANA RESOURCE CENTER FOR EDUCATORS**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

**Organization and Purpose**

The Louisiana Resource Center for Educators (the Organization or LRCE) is a 501(c)(3) not-for-profit, community based organization, governed by a board of directors. The purpose of the Organization is educational, namely responding to the needs of Louisiana educators and students by providing innovative training for teachers in all content areas and making a multi-media lending library of instructional materials available to thousands of teachers. Sources of income include donations (public support), grants from governmental agencies, and fees charged for training both at the LRCE facility and off site.

The East Baton Rouge Parish School System (EBRPSS) approved the granting of a charter to the Organization on February 17, 2011, for an initial period beginning on July 1, 2011, and ending on June 30, 2016, to operate a Type 1 Charter School, as defined in LA R.S. 17:3971. The Organization is doing business as the Career Academy (the Academy). The initial charter is for five years but will be re-evaluated after three years. Upon expiration, the charter will be renewed for successive periods of ten years, subject to the review by the East Baton Rouge Parish School System of the Academy's operations and compliance with requirements.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Revenue Recognition**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. The Organization did not have any permanently restricted net assets at either June 30, 2014 or 2013.

Grants which are cost reimbursable under federal contracts are recorded as unrestricted net assets in the Statement of Activities.

**Property and Equipment**

Property and equipment is recorded at cost. Depreciation of property and equipment is based upon the estimated useful service lives, which range from 3 to 40 years, using the straight-line method. Maintenance and repairs are charged to expense, while additions and improvements are capitalized. The majority of leasehold improvements were being amortized over the life of the charter school agreement ending June 30, 2016 prior to their disposal on May 23, 2014.

**LOUISIANA RESOURCE CENTER FOR EDUCATORS**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies** (continued)

**Allowance for Uncollectible Accounts**

As of June 30, 2014 and 2013, all accounts were considered collectible; therefore, no allowance for uncollectible accounts has been established. Accounts are considered past due based on their contractual terms. Receivables are closely monitored by management during the year and all accounts considered to be uncollectible are written-off.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Contributed Services and Assets**

The Organization records contribution revenue for certain services received at the fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased, if not provided by donation. Donated equipment and other non-cash donations are recorded as contributions at their fair value at the date of donation.

See Note 9 for a description of the contributed services and assets received for the years ended June 30, 2014 and 2013.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, cash equivalents include all highly liquid debt instruments and certificates of deposit with original maturities of three months or less. At certain times throughout the year, the balances in the cash accounts may have exceeded the amount insured by the Federal Deposit Insurance Corporation. Management, however, believes the credit risk associated with these deposits is minimal.

**Promises to Give**

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give are due to the Organization during the next fiscal year and are therefore recognized as current on the statements of financial position.

**LOUISIANA RESOURCE CENTER FOR EDUCATORS**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

1. **Summary of Significant Accounting Policies** (continued)

**Functional Allocation of Expenses**

The costs of providing for the various programs and other activities of the Organization have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Advertising**

The Organization expenses the cost of advertising as incurred. Total advertising expenses for the years ended June 30, 2014 and 2013 were \$5,526 and \$5,991, respectively.

**Income Taxes**

The Organization is exempt from federal income taxes on its related income under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made. However, if the Organization would engage in activities unrelated to the purpose for which it was created, taxable income could result. The Organization had no material unrelated business income for the fiscal years ended June 30, 2014 and 2013.

In Management's judgment, the Organization does not have any tax positions that would result in a loss contingency considering the facts, circumstances, and information available at the reporting date.

With few exceptions, the statute of limitations for the examination of the Organization's income tax returns is generally three years from the due date of the tax returns including extensions. The tax years open for assessment are the years ending on or after June 30, 2011.

**Reclassifications**

Certain amounts from the June 30, 2013 financial statements have been reclassified in order to conform to the 2014 presentation.

2. **Concentration of Support**

The Organization receives grants from the private and public sector. The public sector grants are for specific purposes and are passed through the Louisiana Department of Education and the East Baton Rouge School Board. Additionally, the Academy received Minimum Foundation Program (MFP) funding from East Baton Rouge Parish School System which was an allocation of its MFP funding provided by the State of Louisiana and local taxes. Substantially all state grants and support are unrestricted as to use.

**LOUISIANA RESOURCE CENTER FOR EDUCATORS**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

2. **Concentration of Support** (continued)

The Academy received approximately 89% and 87% of its support from the MFP, 4% and 8% of its support from federal grants passed through the Louisiana Department of Education, and approximately 7% and 5% of its support from the private sector during the years ended June 30, 2014 and 2013, respectively. The MFP funding represents 63% and 59% of the total revenues of the Organization for the years ended June 30, 2014 and 2013, respectively.

3. **Federal Grants**

In addition, the Academy received Federal grants from the U.S. Department of Education under Public Charter Schools Federal Grant Program, Title I, Federal Food Service and Alcohol/Drug Abuse Prevention Program which totaled \$121,616 and \$189,839 for the years ended June 30, 2014 and 2013, respectively. These grants were passed through the Louisiana Department of Education and The East Baton Rouge Parish School Board.

4. **Temporarily Restricted Net Assets**

Temporarily restricted net assets were available for the following purposes at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Charter School Program	\$ 4,660	\$ 23,272
Library Support	-	13,645
Capital Campaign	8,500	8,500
Student Apprentice Project	1,264	4,114
Total temporarily restricted net assets	<u>\$ 14,424</u>	<u>\$ 49,531</u>

5. **Net Assets Released From Restrictions**

Net assets released from donor restrictions for incurring program related expenses satisfying the restricted purposes were as follows for the years ended:

	<u>2014</u>	<u>2013</u>
Capital Campaign / Building Loan Payments	\$ -	\$ 2,500
Summer Camp	95,500	100,000
Library Support	23,885	22,765
Raising Radishes	4,800	4,800
Charter School Program	47,489	203,433
Total restrictions released	<u>\$ 171,674</u>	<u>\$ 333,498</u>

**LOUISIANA RESOURCE CENTER FOR EDUCATORS**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**6. Loss on Disposal of Leasehold Improvements**

The Organization terminated its lease agreement with Brookstown Elementary on May 23, 2014. The Organization recognized a loss on disposal of leasehold improvements related to this location in the amount of \$60,296 for the year ended June 30, 2014.

**7. Leases - Lessee**

The Organization has five operating leases for copiers. The copiers are leased under five-year or three-year operating lease agreements. The leases expire between October 2014 and October 2018. The leases are renewable on the same terms on a monthly basis unless the option to purchase at fair value is exercised or the equipment is returned.

The Organization has one operating lease entered into March 3, 2010 for a mail machine. The mail machine is leased under a five-year operating lease. The lease expires in March 2015. The lease is renewable on the same terms on a monthly basis unless the option to purchase at fair value is exercised or the equipment is returned.

The Organization also had a lease to use the Capital High School Labs. The lease was entered into on February 1, 2012 and had an original maturity of January 31, 2017. However, the lease terminated early on May 23, 2014. Payments were approximately \$4,460 for the months of July 2013 through May 2014. The Organization recognized a loss on disposal of these leasehold improvements in the amount of \$60,296 for the year ended June 30, 2014.

The following represents the Organization's annual obligations on its leases:

<u>Years Ending</u> <u>June 30<sup>th</sup></u>	
2015	\$ 14,192
2016	6,014
2017	5,448
2018	5,448
2019	<u>2,724</u>
	<u>\$ 33,826</u>

Total rent expense charged to operations during the years ended June 30, 2014 and 2013, was approximately \$77,973 and \$78,064, respectively.

**8. Leases - Lessor**

The Organization began leasing a portion of its office building and related parking facilities to a lessee on April 4, 2013. The operating lease expires on April 4, 2016. Monthly rental charges to the lessee are to be waived in exchange for the lessee completing proposed improvements to the premises within the first year of the lease agreement. All improvements were completed by the lessee in 2013. The Organization capitalized the building improvements and recognized in-kind revenue of \$97,020 for the year ended June 30, 2014.



**LOUISIANA RESOURCE CENTER FOR EDUCATORS**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**9. Notes Payable**

LRCE entered into a loan agreement with a financial institution on December 21, 2010, which restructured two previous notes held with the financial institution into one note. The loan amount was \$2,600,000, with monthly principal and interest payments which began in January 2011 in the amount of \$18,614 per month. A final balloon payment of \$2,009,124 is due at maturity, December 25, 2017. The interest rate on the note was 5.60% until May 25, 2013. The terms of the note were modified effective May 25, 2013 to reflect an interest rate of 4%. The note is secured by the building and the balance at June 30, 2014 and 2013 was \$2,315,872 and \$2,412,437, respectively.

LRCE received \$135,000 as part of a loan agreement with the Office of Community Development during the year ended June 30, 2009. An additional \$15,000 was received during the year ended June 30, 2010, once the clear lien certificate was received. These funds were to be used for the rehabilitation of the building. This is a principal only loan with a term of 10 years. The repayment terms of the note will be forgiven as long as LRCE can establish proof of services paid for by using non-federal funds equal to or greater than the annual repayment amount. The balance at June 30, 2014 and 2013 was \$75,000 and \$90,000, respectively.

The notes payable are scheduled to mature or be forgiven as follows:

<u>Year Ending</u> <u>June 30<sup>th</sup></u>	
2015	\$ 117,057
2016	121,215
2017	125,542
2018	2,012,058
2019	<u>15,000</u>
	<u>\$ 2,390,872</u>

LRCE has established \$50,000 line-of-credit which accrues interest at 1% plus wall street journal prime rate. The line has no maturity date. The amounts drawn on the line-of-credit were \$0 at June 30, 2014 and 2013, respectively.

**10. Contributed Services, Assets, and In-Kind Revenue**

For the year ended June 30, 2014, the Organization received non-cash contributions of \$114,020, which included donated billboards for advertisement of \$17,000 and waived lease payments related due to building improvements of \$97,020 as noted in Note 7. For the year ended June 30, 2013, the Organization received non-cash contributions of \$23,251, which included used cars, TV spots, and donated office supplies.

**LOUISIANA RESOURCE CENTER FOR EDUCATORS**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**10. Contributed Services, Assets, and In-Kind Revenue (continued)**

During the year ended June 30, 2012, the Organization entered into a verbal agreement with the East Baton Rouge Parish School Board for space to operate the charter school which is located at the old Brookstown Elementary site in exchange for a monthly rental fee of \$100, making all necessary leasehold improvements, and providing continued maintenance to the facility. Until specifically notified by the East Baton Rouge Parish School Board, the original term of this verbal agreement was expected to remain in effect over the life of the charter school agreement expiring June 30, 2016. After notification from East Baton Rouge Parish School Board that the space would no longer be available to Academy, the Organization terminated the Brookstown lease and moved out of this location in May 2014. Total rent expense for the year ended June 30, 2014 and 2013 was \$1,100 and \$1,200, respectively. Since the donated fair value of the Brookstown lease agreement cannot be determined with reasonable certainty it is not included in the accompanying financial statements.

**11. Transportation Services Agreement**

The Organization entered into an agreement with First Student, Inc. on August 1, 2012 to provide pupil transportation for the Career Academy. The initial term of the agreement is three years but may be extended for additional years by mutual agreement. First Student will supply and maintain seven school busses and personnel to fulfill the Career Academy's needs for transportation services. Rates vary and are set per day per bus and escalate approximately 2.5% for each year covered by the agreement. There is also add-on costs related to air conditioning, monitoring, field trips, etc. Total expenses charged to operations during the year ended June 30, 2014 and 2013 were approximately \$380,000 and \$362,000, respectively.

**12. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 19, 2014, and determined that the following items requires additional disclosure.

On July 5, 2014, the Organization entered into a lease agreement with the Mount Pilgrim Baptist Church for space to operate the charter school, which was previously located at the old Brookstown Elementary site. The lease term is for one year and can be renewed for 1 renewal term of one year. The monthly rental fee is \$10,000.

The charter school agreement between the Organization and the East Baton Rouge Parish School System expires on June 30, 2016. Extension or revocations of this agreement is contingent upon the results of the reporting requirements at the end of the third year of operation, June 30, 2014. The Organization has submitted the required documentation for an extension request to the School System and expects the Superintendent of the School System to provide a recommendation on extension or revocation of the charter agreement in December 2014.

No events occurring after November 19, 2014 have been evaluated for inclusion in these financial statements.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

**Independent Auditors' Report**

To the Board of Directors  
Louisiana Resource Center for Educators  
Baton Rouge, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Louisiana Resource Center for Educators which comprise the statements of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 19, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Louisiana Resource Center for Educators' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Resource Center for Educators' internal control. Accordingly, we do not express an opinion on the effectiveness of the Louisiana Resource Center for Educators' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Louisiana Resource Center for Educators' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
November 19, 2014

**LOUISIANA RESOURCE CENTER FOR EDUCATORS**  
**BATON ROUGE, LOUISIANA**

**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**A. SUMMARY OF AUDITORS' RESULTS**

Type of auditors' report issued: Unmodified (unqualified)

- Material weakness(es) identified? \_\_\_\_\_ yes      X   no
- Significant deficiency(ies) identified that are  
not considered to be material weaknesses? \_\_\_\_\_ yes      X   none reported

Noncompliance material to financial  
statements noted? \_\_\_\_\_ yes      X   no

**B. FINDINGS AND QUESTIONED COSTS**

None

**LOUISIANA RESOURCE CENTER FOR EDUCATORS**  
**BATON ROUGE, LOUISIANA**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**A. FINDINGS AND QUESTIONED COSTS**

None

**LOUISIANA RESOURCE CENTER FOR EDUCATORS**  
**BATON ROUGE, LOUISIANA**

**DEPARTMENTAL STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2014**

**ASSETS**

	<u>LRCE</u>	<u>Career Academy</u>	<u>Eliminations</u>	<u>Total</u>
<b><u>CURRENT ASSETS</u></b>				
Cash and cash equivalents	\$ 374,265	\$ -	\$ -	\$ 374,265
Cash and cash equivalents - restricted	22,006	85,138	-	107,144
Dues and other receivables	166,272	338,121	(212,818)	291,575
Promises to give	25,100	-	-	25,100
Inventory	867	-	-	867
Prepaid expenses and other assets	13,353	18,318	-	31,671
Total current assets	<u>601,863</u>	<u>441,577</u>	<u>(212,818)</u>	<u>830,622</u>
<b><u>PROPERTY AND EQUIPMENT</u></b>				
Furniture and equipment	773,135	141,919	-	915,054
Software	-	3,357	-	3,357
Building and improvements	3,581,824	-	-	3,581,824
Library	76,945	-	-	76,945
	<u>4,431,904</u>	<u>145,276</u>	<u>-</u>	<u>4,577,180</u>
Less: accumulated depreciation	(1,291,515)	(123,094)	-	(1,414,609)
Net property and equipment	<u>3,140,389</u>	<u>22,182</u>	<u>-</u>	<u>3,162,571</u>
Total Assets	<u>\$ 3,742,252</u>	<u>\$ 463,759</u>	<u>\$ (212,818)</u>	<u>\$ 3,993,193</u>

**LIABILITIES AND NET ASSETS**

<b><u>CURRENT LIABILITIES</u></b>				
Accounts payable	\$ 58,842	\$ 8,089	\$ -	\$ 66,931
Other liabilities	126,745	432,967	(212,818)	346,894
Notes payable, current portion	117,057	-	-	117,057
Total current liabilities	<u>302,644</u>	<u>441,056</u>	<u>(212,818)</u>	<u>530,882</u>
Notes payable, non-current portion	<u>2,273,815</u>	<u>-</u>	<u>-</u>	<u>2,273,815</u>
Total Liabilities	<u>2,576,459</u>	<u>441,056</u>	<u>(212,818)</u>	<u>2,804,697</u>
<b><u>NET ASSETS</u></b>				
Unrestricted	1,157,158	16,914	-	1,174,072
Temporarily restricted	8,635	5,789	-	14,424
Total net assets	<u>1,165,793</u>	<u>22,703</u>	<u>-</u>	<u>1,188,496</u>
Total Liabilities and Net Assets	<u>\$ 3,742,252</u>	<u>\$ 463,759</u>	<u>\$ (212,818)</u>	<u>\$ 3,993,193</u>

**LOUISIANA RESOURCE CENTER FOR EDUCATORS**  
**BATON ROUGE, LOUISIANA**

**DEPARTMENTAL STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<b><u>LRCE</u></b>		<b><u>Career Academy</u></b>	
	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>
<b><u>SUPPORT AND REVENUE:</u></b>				
Contributions	\$ 502,369	\$ 110,540	\$ 20,117	\$ 26,027
Grants from governmental agency	-	-	121,617	-
Minimum foundation program	-	-	2,706,952	-
Program service fees	816,000	-	23,880	-
Interest revenue	236	-	-	-
Other revenue	41,484	-	148,170	-
Total support and revenue	<u>1,360,089</u>	<u>110,540</u>	<u>3,020,736</u>	<u>26,027</u>
Net assets released from restriction	<u>124,185</u>	<u>(124,185)</u>	<u>47,489</u>	<u>(47,489)</u>
Total revenue and other support	<u>1,484,274</u>	<u>(13,645)</u>	<u>3,068,225</u>	<u>(21,462)</u>
<b><u>EXPENSES:</u></b>				
Program services	971,438	-	2,509,714	-
Management and general	612,173	-	469,501	-
Fundraising	52,447	-	-	-
Total expenses	<u>1,636,058</u>	<u>-</u>	<u>2,979,215</u>	<u>-</u>
Changes in net assets	(151,784)	(13,645)	89,010	(21,462)
Net assets - beginning of year	<u>1,308,942</u>	<u>22,280</u>	<u>(72,096)</u>	<u>27,251</u>
Net assets - end of year	<u>\$ 1,157,158</u>	<u>\$ 8,635</u>	<u>\$ 16,914</u>	<u>\$ 5,789</u>



<u>Eliminations</u>	<u>Total</u>
\$ -	\$ 659,053
-	121,617
-	2,706,952
(96,000)	743,880
-	236
(142,581)	47,073
<u>(238,581)</u>	<u>4,278,811</u>
-	-
<u>(238,581)</u>	<u>4,278,811</u>
(96,000)	3,385,152
(142,581)	939,093
-	52,447
<u>(238,581)</u>	<u>4,376,692</u>
-	(97,881)
-	<u>1,286,377</u>
<u>\$ -</u>	<u>\$ 1,188,496</u>

**LOUISIANA RESOURCE CENTER FOR EDUCATORS**  
**BATON ROUGE, LOUISIANA**

**DEPARTMENTAL STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<b>LRCE</b>				
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Adjunct faculty and presenters	\$ 238,571	\$ -	\$ -	\$ 238,571
Advertising	3,687	-	1,839	5,526
Bad debt expense	-	11,587	-	11,587
Bank charges	5,512	2,840	-	8,352
Depreciation and amortization	69,512	35,809	-	105,321
Development of online material	11,591	-	-	11,591
Dues and subscriptions	4,623	2,486	-	7,109
Employee training	100	3,807	-	3,907
Food services	-	-	-	-
Forgiveness of debt	-	142,581	-	142,581
In-kind expense	-	-	-	-
Insurance	26,496	13,649	-	40,145
Interest	63,458	32,690	-	96,148
Library expenses	47,127	-	-	47,127
Loss on disposal of assets	-	-	-	-
Miscellaneous	14,595	11,564	-	26,159
Postage	19,130	1,357	1,357	21,844
Printing	8,714	3,751	3,751	16,216
Professional services	28,652	14,238	-	42,890
Recruiting	-	-	-	-
Rental expense	10,936	5,634	-	16,570
Repairs and maintenance	32,954	16,976	-	49,930
Salaries and benefits	324,350	264,391	45,500	634,241
Sales tax	752	-	-	752
Software and technology	13,568	6,905	-	20,473
Materials and supplies	13,831	25,547	-	39,378
Telephone	1,872	965	-	2,837
Transportation	-	-	-	-
Travel and fundraising	3,065	796	-	3,861
Utilities	28,342	14,600	-	42,942
	<b>\$ 971,438</b>	<b>\$ 612,173</b>	<b>\$ 52,447</b>	<b>\$ 1,636,058</b>

Career Academy			Eliminations	Total Departmental			
Program Services	Management and General	Total		Program Services	Management and General	Fundraising	Total
\$ -	\$ -	\$ -	\$ -	\$ 238,571	\$ -	\$ -	\$ 238,571
-	-	-	-	3,687	-	1,839	5,526
-	5,000	5,000	-	-	16,587	-	16,587
-	-	-	-	5,512	2,840	-	8,352
78,313	-	78,313	-	147,825	35,809	-	183,634
-	-	-	-	11,591	-	-	11,591
9,628	-	9,628	-	14,251	2,486	-	16,737
14,356	-	14,356	-	14,456	3,807	-	18,263
92,464	-	92,464	-	92,464	-	-	92,464
-	-	-	(142,581)	-	-	-	-
-	17,000	17,000	-	-	17,000	-	17,000
-	15,723	15,723	-	26,496	29,372	-	55,868
-	-	-	-	63,458	32,690	-	96,148
-	-	-	-	47,127	-	-	47,127
-	60,296	60,296	-	-	60,296	-	60,296
21,928	-	21,928	-	36,523	11,564	-	48,087
-	-	-	-	19,130	1,357	1,357	21,844
-	-	-	-	8,714	3,751	3,751	16,216
238,831	65,942	304,773	(96,000)	171,483	80,180	-	251,663
3,498	21,640	25,138	-	3,498	21,640	-	25,138
52,031	-	52,031	-	62,967	5,634	-	68,601
93,637	-	93,637	-	126,591	16,976	-	143,567
1,316,563	274,504	1,591,067	-	1,640,913	538,895	45,500	2,225,308
-	-	-	-	752	-	-	752
-	-	-	-	13,568	6,905	-	20,473
147,933	7,991	155,924	-	161,764	33,538	-	195,302
581	1,405	1,986	-	2,453	2,370	-	4,823
383,371	-	383,371	-	383,371	-	-	383,371
-	-	-	-	3,065	796	-	3,861
56,580	-	56,580	-	84,922	14,600	-	99,522
<u>\$ 2,509,714</u>	<u>\$ 469,501</u>	<u>\$ 2,979,215</u>	<u>\$ (238,581)</u>	<u>\$ 3,385,152</u>	<u>\$ 939,093</u>	<u>\$ 52,447</u>	<u>\$ 4,376,692</u>

**LOUISIANA RESOURCE CENTER FOR EDUCATORS**  
**BATON ROUGE, LOUISIANA**

**SCHEDULE OF EDUCATIONAL EXPENSES - CAREER ACADEMY**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Program Services**

Regular education programs	\$ 827,029
Career and tech education programs	449,600
Special education programs	110,533
Other education programs	10,023
Pupil support services	93,313
Instructional staff services	13,498
Plant operation and maintenance	742,415
Food service	219,269
Central service	44,034
<b>Total program services</b>	<b>\$ 2,509,714</b>

**Management and general**

General administration services	\$ 147,203
School administration services	322,208
Business services	90
<b>Total management and general</b>	<b>\$ 469,501</b>

To the Board of Directors  
Louisiana Resource Center for Educators  
Baton Rouge, LA

We have audited the financial statements of Louisiana Resource Center for Educators (the Organization), for the year ended June 30, 2014 and have issued our report thereon. As part of our audit, we evaluated the internal accounting controls to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such evaluation are to establish a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.

The objective of internal control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of the financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

No matter how good a system, there are inherent limitations that should be recognized in considering the potential effectiveness of internal accounting. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the degree of compliance with the procedures may deteriorate. We say this simply to suggest that any system needs to be constantly reviewed and improved where necessary.

However, during the course of our audit, we became aware of several matters that are opportunities for strengthening internal controls or operating efficiency. Our comments and suggestions regarding those matters are set forth below. This letter does not affect our reports dated November 19, 2014, on the financial statements of Louisiana Resource Center for Educators and Louisiana Resource Center for Educators' internal control over financial reporting.

**1) Outstanding Checks Greater than a Year Old**

During our testing of cash, we noted that the bank account reconciliation included checks that were still outstanding since the previous fiscal year. This hinders the accounting personnel's ability to reflect an accurate cash balance in the financial statements and adds an unnecessary step to the process of the bank account reconciliation. We recommend that accounting personnel investigate all outstanding checks on a regular basis. Items that have been outstanding for greater than ninety days should be further investigated and consideration given as to whether they should be voided and reissued to the payee or remitted to the state government in accordance with unclaimed property laws.

*Management Response:*

Management will review the outstanding checks in excess of 90 days for resolution including submission to the state's unclaimed property division. Management will monitor older outstanding checks on a regular basis as well.

2.) Disposal of Fixed Assets

During our audit of property, plant and equipment, we noted the accounting treatment for the disposal of several assets was not recorded in a consistent manner with other asset disposals. Instead of removing the items from the general ledger at their net book value and recognizing the appropriate gain/loss on disposal of those assets, the assets were not removed from the general ledger but were fully depreciated during the year. This overstates the value of the fixed asset, depreciation expense, and the gain or loss reported on the statement of activities. We recommend that a periodic review be instituted to ensure that disposed assets are recorded in a consistent manner and in accordance with generally accepted accounting principles.

*Management Response:*

Management will record future disposals by removing from the depreciation schedule and recognizing any corresponding gain or loss as historically performed.

3.) Classification of Restricted vs. Unrestricted Cash Receipts

During our audit, we noted several instances where individual donations of small denominations that were restricted for a specific purpose were coded to an unrestricted account. Since the coding of the receipts aids in the tracking of restricted versus unrestricted net assets, and those amounts reported as being released from those restrictions, it is important each donation be properly coded. While controls exist to catch a material error in these classifications, we recommend that a second review of account classifications be implemented to ensure proper coding of the account transaction.

*Management Response:*

Moving forward, management will be more mindful of correctly coding restricted and unrestricted funding. Management will review monthly contribution coding to make sure grants are coded properly.

*Pastelthwaite & Netterville*

Baton Rouge, Louisiana  
November 19, 2014

